

VZCZCXYZ0000
PP RUEHWEB

DE RUEHJA #1711/01 2540858
ZNY SSSSS ZZH
P 100858Z SEP 08
FM AMEMBASSY JAKARTA
TO RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RUEHC/SECSTATE WASHDC PRIORITY 0040
RUEHGP/AMEMBASSY SINGAPORE 6322

S E C R E T JAKARTA 001711

SIPDIS

DEPARTMENT FOR ISN, T, NEA/IR, EAP, EAP/MTS, EEB/ESC
TREASURY FOR IA - M. NUGENT AND T. RAND
SINGAPORE FOR S. BAKER

E.O. 12958: DECL: 09/09/2033
TAGS: [ECON](#) [EFIN](#) [KNNP](#) [PARM](#) [PTER](#) [PINR](#) [IR](#) [ID](#)
SUBJECT: DEMARCHE DELIVERED REGARDING PREVENTING
ESTABLISHMENT OF IRANIAN JOINT BANK IN INDONESIA

REF: STATE 93583

Classified By: Economic Counselor Peter Haas for reasons
1.4 (b) and (d).

¶1. (S) Summary: Indonesian government interlocutors confirmed that Bank Melli had inquired about the rules for establishing operations in Indonesia, but had not submitted any application to open a branch, subsidiary or to form a joint bank with Bank Panin or any other Indonesian financial institution. A Ministry of Foreign Affairs (Deplu) official advised that Deplu had recently convened an interagency meeting and a meeting with banks and the business community to brief them on implications of recent UNSCRs. Embassy met with government of Indonesia officials at Bank Indonesia, Ministry of Finance, Ministry of Foreign Affairs and at PPATK (Indonesian Financial Transaction Reports and Analysis Centre, Indonesia's Financial Intelligence Unit) and delivered the non-paper contained in reftel. End summary.

¶2. (S) On September 8, Embassy met with Dr. Raden Pardede, Chairman of Indonesia's Financial Stability Forum and close advisor to the Minister of Finance and Coordinating Minister of Economic Affairs Sri Mulyani Indrawati. Pardede, who works closely with both Sri Mulyani and BI Governor Boediono, expressed appreciation to Embassy for sharing the non-paper. He also confirmed that the Ministry of Finance no longer plays any direct role in banking regulation, which BI controls.

¶3. (S) On September 9, Embassy met with Boedi Armanto, Bank Indonesia's Director of Bank Licensing and Banking Information, and Detty Agustono, Head of Bureau for International Study and Relationship Bureau in the International Directorate, and staff. Armanto advised that BI had not received any application from Bank Melli to establish any banking presence in Indonesia or from Bank Panin regarding a possible joint bank with Bank Melli. Armanto said he had not spoken with officials from Bank Melli or Bank Panin regarding a possible joint bank, though he advised that Bank Melli had requested information about Indonesian regulations regarding establishment of a financial presence in Indonesia.

¶4. (S) Armanto said he did not believe Bank Melli was large enough to qualify to establish a representative office (limited to world's largest 300 banks, per Indonesian regulation) or a branch (limited to world's largest 200 banks, per local regulation), though it could apply to establish a subsidiary. He noted that applications for joint banks required review of the last three years'

financial reports and the capability to provide capital. He also noted that BI had a fair amount of discretion in approving such applications. Given BI's current efforts to consolidate an already crowded banking sector, applicants would also have to overcome a presumption against authorization of additional banks.

15. (S) Armanto also advised that the Foreign Ministry (Deplu) had held a meeting several weeks ago regarding possible links between Indonesia and Iran and had convened a meeting with commercial banks regarding the impact of recent UNSCRs on banking operations. Armanto said he believed most commercial banks in Indonesia were aware both of the relevant UNSCRs and of the importance of "Knowing Your Customer."

16. (S) BI officials appeared quite knowledgeable about relevant UNSCRs, the various FATF expressions of concern, and OFAC guidance regarding Iranian sanctions. Both Armanto and Agustono noted the difficulty Indonesia has in processing USD transactions with Iranian entities and asked for additional information about the permissible use of U-turn transactions and how U.S. financial institutions continue to facilitate legitimate commercial transactions with Iran. Agustono complained that U.S. exports to Iran were growing and that the U.S. appeared to be employing a double standard in warning other governments about the hazards of engaging in financial transactions with Iran. Embassy underscored the targeted nature of Iran sanctions

and the rigorous system of licensing which the U.S. employs to ensure that such transactions do not contribute to proliferation or financing of terrorism.

17. (S) On September 9, Embassy met with Ministry of Foreign Affairs (Deplu) Andy Rachmianto, Deputy Director of Non-proliferation Directorate. Rachmianto advised that he had not received any information regarding any efforts of Bank Melli to establish a joint bank with Bank Panin or any other Indonesian bank. He confirmed that Deplu had called an interagency meeting in the wake of the passage of UNSCR 1803 to inform agencies about the details of the Security Council resolution and to make them aware of its implications, including regarding transactions with institutions such as Bank Saderat and Bank Melli. Rachmianto added that Deplu had convened another meeting in June with representatives of commercial banks, Bank Indonesia, the Indonesian Chamber of Commerce and Industry (Kadin) and the Indonesian ambassador to Iran to provide a briefing of do's and don'ts in transactions with Iranian institutions. He noted that some Indonesian businesses remained keen to do business with Iran, but Deplu had briefed the business community on implications posed by the various UNSCRs. Rachmianto said many Indonesian banks had simply stopped doing business with Iran, but some Iranian banks appeared to be trying to find other mechanisms to facilitate commercial trade.

18. (S) Embassy met Yunus Husein, Head of PPATK, Indonesia's FIU, and staff on September 10. Husein thanked Embassy for sharing the information in the non-paper. Husein and his staff appeared to be knowledgeable about recent UNSCRs regarding Iranian activities, but did not indicate any knowledge regarding any activities of Bank Melli to establish a joint bank with Bank Panin or any other Indonesian financial institutions. PPATK officials advised that they were standing by to receive additional information from Deplu

regarding this matter.

HUME